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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI releases the Monthly Bulletin for December 2015

The Reserve Bank of India today released the December 2015 issue of its monthly Bulletin. This Bulletin issue includes the Fifth Bi-Monthly Monetary Policy Statement: 2015-16. The unedited transcript of *Economy Unplugged: Dr. Prannoy Roy in conversation with Governor Raghuram G. Rajan and CEA Arvind Subramanian, November 05, 2015, NDTV* is also published in this issue.

In addition, the Bulletin includes Speeches by the Top Management, Current Statistics and two articles *viz*., (1) Flow of Funds Accounts of the Indian Economy: 2013-14; and (2) Finances of Foreign Direct Investment Companies, 2013-14.

This final issue of the Bulletin for the year 2015 also carries an 'Indicative Calendar for Bulletin Articles, 2016'.

The main findings of the two articles appearing in this issue are given below.

1. Flow of Funds Accounts of the Indian Economy: 2013-14

The Reserve Bank of India compiles the Flow of Funds (FoF) accounts which depict all transactions in financial instruments in the Indian economy on a 'from whom-to-whom basis'. Six major sectors of the economy are considered – banking, other financial institutions (OFIs), private corporate business (PCB), Government, rest of the world (ROW), and households. Transactions under nine major heads of financial instruments are reported, *viz*., currency and deposits, investments, loans and advances, small savings, life funds, provident funds, trade debts, foreign claims not elsewhere classified (NEC) and other claims not elsewhere classified.

This article presents an analysis of the FoF accounts for the fiscal year 2013-14 along with revised/updated data for 2012-13.

Main Findings:

- The overall resource balance of the economy, measured by the saving-investment gap and mirrored in the current account deficit (CAD), improved considerably in 2013-14 as compared to the preceding two years. Driving this consolidation was the sizable reduction in the net resource gap of private non-financial corporations and the significant cutback in investment in valuables (largely gold), following tax and administrative curbs imposed towards the end of 2012-13.

- Despite continued pressure from public sector budgets, financial resource mobilisation decelerated for the third consecutive year in 2013-14, as reflected in a general decline in aggregate claims issued by all sectors.
- The banking sector continued to account for the predominant share of total claims in 2013-14. The Government sector, though primarily funded by the banking sector, progressively increased its reliance on the OFI sector.
- The banking and OFI sectors continued to be the main recipients of resources from household sector, which in turn remained as the dominant purveyor of financial surplus.
- Investments became the most preferred financial instrument in 2013-14. The share of currency and deposits continued to increase, buoyed by the substantial increase in FCNR (B) deposits during 2013-14.
- Measures of financial interconnectedness corroborated the fact that the banking and household sectors are critical suppliers of financial resources and therefore, disruptions to these supply sources would have systemic implications.

In the accompanying Statements 1 to 9, data on instrument-wise FOF accounts for each of the sectors are presented in Statements 1 to 6; the annual inter-sectoral flows are summarised for the years 2011-12 to 2013-14 in Statements 7.1 to 7.3; instrument-wise financial flows are summarised for each year separately in Statements 8.1 to 8.3; and the details of the resource gap/ financial surplus of the PCB Sector, Government sector and the Household sector are given in Statements 9.1 to 9.3, respectively.

2. Finances of Foreign Direct Investment Companies: 2013-14

This article presents the financial performance of non-government non-financial foreign direct investment (FDI) companies during the year 2013-14 based on the audited annual accounts of select 957 FDI companies which closed their accounts during the period April 2013 to March 2014. The study also presents a comparable picture over the three-year period from 2011-12 to 2013-14 based on the data of these common companies compiled for relevant financial year.

Main Findings:

- Sales growth of select FDI companies along with value of production and operating expenses moderated in 2013-14. Sales growth was lower at 10.2 per cent in 2013-14 as compared with 14.0 per cent recorded in 2012-13.
- The growth in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and net profits (PAT) improved in 2013-14 mainly due to moderation in manufacturing and interest expenses supported by a decline in import growth and increase in export growth.
- The growth in total net assets of select FDI companies increased marginally during the year. However, the share of gross fixed assets in total assets declined marginally in 2013-14 as compared to the previous year. The total net assets of select FDI companies increased marginally by 13.8 per cent in 2013-14 *vis-à-vis* 11.3 per cent registered in the previous year.

- The share of long-term borrowings in total liabilities increased marginally in 2013-14 while the share of short-term borrowings decreased marginally, resulting in an unchanged leverage ratio of select FDI companies in 2013-14 from that in 2012-13.
- Profitability ratios of select FDI companies as measured by EBITDA margin increased marginally, whereas RoE (Return on Equity) declined in 2013-14 as compared to the previous year.
- The select FDI companies relied mainly on external sources of funds for expanding their business; these funds were predominantly used for asset formation mainly in capital work-in-progress as well as in intangible assets and long-term investments in equity shares.

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